



DEPARTMENT OF VETERANS AFFAIRS  
**OFFICE OF INSPECTOR GENERAL**

*Office of Audits and Evaluations*

DEPARTMENT OF VETERANS AFFAIRS

VA's Compliance with the  
Improper Payments  
Elimination and Recovery  
Act for FY 2018

REVIEW

REPORT #18-05864-127

JUNE 3, 2019



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## Executive Summary

The VA Office of Inspector General (OIG) conducted this review to determine whether VA complied with the requirements of the Improper Payments Elimination and Recovery Act (IPERA) for FY 2018. Each agency's inspector general is required to determine whether the agency is in compliance with IPERA. The U.S. Office of Management and Budget (OMB) Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement," specifies that each agency's inspector general annually review improper payment reporting in the agency's Performance and Accountability Report or the Agency Financial Report (AFR) and issue a report of the agency's compliance with IPERA. Compliance with IPERA means that the agency has:

- Published an AFR or a Performance and Accountability Report for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;
- Conducted a program-specific risk assessment for each program or activity that conforms to Title 31, United States Code, Section 3321 (if required);
- Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
- Published programmatic corrective action plans in the AFR or the Performance and Accountability Report (if required);
- Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
- Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or the Performance and Accountability Report.

### What the Review Found

VA did not comply with IPERA because it did not satisfy two of the six requirements set forth in OMB Circular A-123, Appendix C. Specifically, VA did not:

- Meet annual reduction targets for eight programs and activities—seven Veterans Health Administration (VHA) programs and activities and one Veterans Benefits Administration (VBA) program<sup>1</sup>—assessed to be at risk for improper payments; and
- Report a gross improper rate of less than 10 percent for seven VA programs and activities that had improper payment estimates in its FY 2018 AFR.<sup>2</sup>

VA satisfied four IPERA requirements:

- Published the FY 2018 AFR on VA's website;
- Conducted program-specific risk assessments that conformed with Section 3321 of Title 31 U.S.C.;
- Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments; and
- Published corrective action plans where appropriate.

In addition, the OIG identified four programs and activities as noncompliant for four consecutive fiscal years, one program as noncompliant for three years, and four programs and activities as noncompliant for two years. The OIG also found that VA satisfied the additional reporting requirements for one program—VA Community Care—designated as high-priority.

In its FY 2018 AFR, VA reported improper payment estimates totaling \$14.73 billion, an approximately 38 percent increase from the \$10.66 billion reported in FY 2017. The net increase was primarily the result of VA identifying and reporting higher improper payments for eight programs and activities: seven in VHA and one in VBA.

For FY 2018, with concurrence from the OIG, OMB relieved VA of its reporting requirements under IPERA for one program, the Disaster Relief – Hurricane Sandy program, which had improper payment estimates fall below the reporting threshold for two consecutive fiscal years.

## What the OIG Recommended

The OIG made one new recommendation to the Under Secretary for Health to implement steps to achieve stated reduction targets for the Communications, Utilities, and Other Rent; Medical

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<sup>1</sup> The seven VHA programs and activities were (1) Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA); (2) Communications, Utilities, and Other Rent; (3) Medical Care Contracts and Agreements; (4) Purchased Long-Term Services and Supports; (5) Supplies and Materials; (6) State Home Per Diem; and (7) VA Community Care. The VBA program was Pension.

<sup>2</sup> Seven programs and activities had improper payment rates greater than 10 percent: (1) Beneficiary Travel; (2) Communications, Utilities, and Other Rent; (3) Medical Care Contracts and Agreements; (4) Prosthetics; (5) Purchased Long-Term Services and Supports; (6) Supplies and Materials; and (7) VA Community Care.

Care Contracts and Agreements; and State Home Per Diem programs and activities.<sup>3</sup> As reported in the OIG's FY 2017 IPERA review, the OIG is keeping the following two recommendations to the Under Secretary for Health open due to repeat findings or ongoing issues:

1. Implement steps to achieve stated reduction targets for CHAMPVA; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care programs and activities.
2. Develop a timeline to reduce improper payments under the 10 percent threshold for the Beneficiary Travel; Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Prosthetics; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care programs and activities.

There are three open recommendations made to the Under Secretary for Benefits:<sup>4</sup>

1. Implement steps to achieve stated reduction targets for the Pension program.
2. Continue working with the Department of Defense to increase the frequency of drill pay adjustments from annually to monthly.
3. Continue to report statutory barriers preventing the complete resolution of drill pay improper payments in future AFRs until resolved.

## Management Comments

VA management concurred with the recommendations and provided plans for corrective action. The OIG considers the planned actions responsive and will follow up on their implementation during the FY 2019 review of VA's compliance with IPERA.



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<sup>3</sup> Recommendations directed to the Under Secretary for Health were submitted to the Executive in Charge, who has the authority to perform the functions and duties of the Under Secretary for Health.

<sup>4</sup> The Under Secretary for Benefits was confirmed by the U.S. Senate on April 26, 2018. Therefore, previous recommendations have been updated from the Executive in Charge, Veterans Benefit Administration to the Under Secretary for Benefits.

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## Abbreviations

AFR	Agency Financial Report
CHAMPVA	Civilian Health and Medical Program of the Department of Veterans Affairs
DOD	Department of Defense
FAR	Federal Acquisition Regulation
FY	Fiscal Year
IPERA	Improper Payments Elimination and Recovery Act
OIG	Office of Inspector General
OMB	Office of Management and Budget
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration



## Introduction

### Objective

The VA Office of Inspector General (OIG) conducted this review to determine whether VA complied with the requirements of the Improper Payments Elimination and Recovery Act (IPERA) for FY 2018.

### IPERA

In 2010, Congress significantly amended the Improper Payments Information Act of 2002. The U.S. Office of Management and Budget (OMB) Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement," provides requirements for implementing IPERA.<sup>5</sup> Under IPERA, each agency must periodically review and identify programs and activities that may be susceptible to significant improper payments. In addition, the act requires the agency's inspector general to determine whether the agency complies with IPERA. According to OMB Circular A-123, Appendix C, each agency's inspector general will annually review improper payment reporting in the agency's Performance and Accountability Report or Agency Financial Report (AFR) and issue a report of the agency's compliance with IPERA. Compliance under IPERA means the agency has done the following:<sup>6</sup>

1. Published an AFR or a Performance and Accountability Report for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency's website;
2. Conducted a program-specific risk assessment for each program or activity that conforms to Title 31, United States Code, Section 3321 (if required);
3. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments;
4. Published programmatic corrective action plans in the AFR or the Performance and Accountability Report (if required);
5. Published and met annual reduction targets for each program and activity assessed to be at risk and estimated for improper payments (if required and applicable); and

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<sup>5</sup> U.S. Office of Management and Budget Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement," June 26, 2018.

<sup>6</sup> Improper Payments Elimination and Recovery Act of 2010, Pub. L. 111-204, § 3 (2010).

6. Reported an improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or the Performance and Accountability Report.

If an agency does not meet one or more of these requirements, it is not compliant under IPERA.

The OIG also considered VA's compliance with two other requirements. First, IPERA requires agencies that are not compliant with IPERA to take actions with respect to programs and activities that are not in compliance for two or more consecutive fiscal years. Second, IPERIA requires agencies to report additional requirements for programs identified as high priority. Finally, the OIG provided an update on VBA concurrent drill pay.

## **Improper Payments Elimination and Recovery Improvement Act of 2012**

In 2012, Congress added reporting requirements to IPERA with the enactment of the Improper Payments Elimination and Recovery Improvement Act of 2012. This Act requires OMB to designate high-priority programs for greater levels of oversight and review.<sup>7</sup> The high-priority threshold for FY 2018 is \$2 billion in estimated improper payments.<sup>8</sup> There are additional reporting requirements for high-priority programs.<sup>9</sup> For any reported high-priority program, agencies must also establish quarterly or semiannual actions to reduce improper payments. The agency's inspector general is also required to review the assessment of the level of risk, evaluate the quality of the improper payment estimates and methodology, and review the oversight or financial controls used to identify and prevent improper payments for each high-priority program.<sup>10</sup>

## **Improper Payment Definition**

According to OMB Circular A-123, Appendix C, an improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements, including any payment that:

- Should not have been made;
- Was made in an incorrect amount;
- Was made to an ineligible recipient;
- Was made for an ineligible good or service; or
- Was made for goods or services not received.

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<sup>7</sup> Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. 112-248, § 3 (2013).

<sup>8</sup> OMB Circular A-123, App. C, Part II.B(1).

<sup>9</sup> OMB Circular A-123, App. C, Part II.B.

<sup>10</sup> OMB Circular A-123, App. C, Part IV.A(4).

In addition, when an agency's review is unable to discern whether a payment was proper because of insufficient or lack of documentation, this payment should also be considered an improper payment.

## **Gross Improper Payment Rate**

Improper payments may be underpayments or overpayments made by federal agencies. Gross improper payments refer to the total of all improper payments, regardless of whether the payment was an underpayment or overpayment. Gross improper payments are divided by the agency's total outlays to determine the gross improper payment rate. Therefore, the gross improper payment rate reflects the total improper payments compared with total outlays.

## **Program or Activity with Significant Improper Payments**

OMB Circular A-123, Appendix C, defines significant improper payments as gross annual improper payments in the program that exceed (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported; or (2) \$100 million (regardless of the percentage of program outlays).

## **Magnitude of Improper Payments**

In its FY 2018 AFR, VA reported improper payment estimates totaling \$14.73 billion for 12 programs and activities, an increase of approximately 38 percent from the \$10.66 billion reported in FY 2017 for 13 programs and activities. The net increase was primarily the result of VA identifying and reporting higher improper payments for eight programs and activities: seven in the Veterans Health Administration (VHA) and one in the Veterans Benefits Administration (VBA).<sup>11</sup>

Since 2015, VA has reported it has worked to improve the identification and reporting of improper payments to better understand the causes behind improper payments. Due to such efforts, VA reported an increase in total projected improper payments. VA stated in its AFR that the main causes for the increase in FY 2018 estimated improper payments were noncompliance with Federal Acquisition Regulation (FAR) requirements, processing errors, and a lack of documentation necessary to determine if payments were proper.

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<sup>11</sup> The VHA programs and activities with higher improper payments were: Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA); Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Purchased Long-Term Services and Supports; State Home Per Diem; Supplies and Materials; and VA Community Care. The VBA program with higher improper payments was Pension.

For FY 2018, with concurrence from the OIG, OMB relieved VA of its reporting requirements under IPERA for one program, the Disaster Relief – Hurricane Sandy program, which had improper payment estimates fall below the reporting threshold for two consecutive years.<sup>12</sup>

### **Noncompliant for Two or More Years**

In accordance with IPERA, agencies found to be noncompliant for one fiscal year or more must complete several actions to achieve compliance. Additional requirements apply to programs and activities that are not compliant for two or more years.<sup>13</sup>

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<sup>12</sup> OMB Circular A-123, Appendix C, defines the threshold for reporting as programs that are at risk for significant improper payments.

<sup>13</sup> Improper Payments Elimination and Recovery Act of 2010, Pub. L. 111-204, § 3(c) (2010). More information about relevant VA programs and activities and prior OIG reports can be found in Appendix A.

## Results and Recommendations

### Finding 1: VA Did Not Comply with Two of Six IPERA Requirements for FY 2018

VA did not comply with IPERA because it did not satisfy two of the six requirements set forth in OMB Circular A-123, Appendix C. According to OMB Circular A-123, if one or more requirements are not met, VA is not compliant with IPERA. Specifically, VA did not:

- Requirement 5—Meet reduction targets for eight programs and activities assessed to be at risk and measured for improper payments.
- Requirement 6—Report a gross improper rate of less than 10 percent for seven programs and activities for which improper payment estimates were obtained and published in VA's FY 2018 AFR.

VA satisfied the following four of six IPERA requirements:

- Requirement 1—Publish the FY 2018 AFR on VA's website as required.
- Requirement 2—Conduct program specific risk assessments for each program and activity that conforms with Title 31, United States Code, Section 3321, if required.<sup>14</sup>
- Requirement 3—Publish improper payment estimates as required.
- Requirement 4—Publish corrective action plans where appropriate.

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<sup>14</sup> The Improper Payments Elimination and Recovery Act of 2010, § 2 (codified at 31 U.S.C. § 3321 note) requires agencies to identify programs and activities susceptible to significant improper payments.

Table 1 shows compliance with each IPERA requirement for the 12 programs and activities susceptible to significant improper payments and for which VA published improper payment estimates in its FY 2018 AFR. Appendix D has the complete table.

**Table 1. IPERA Compliance Reporting Table**

<b>Program/ Activity</b>	<b>Published an AFR(1)</b>	<b>Conducted a risk assessment (2)</b>	<b>Published improper payment estimate (3)</b>	<b>Published corrective action plan (4)</b>	<b>Published and is meeting reduction target (5)</b>	<b>Reported an improper payment rate of less than 10% (6)</b>
Beneficiary Travel	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
CHAMPVA	Compliant	Compliant	Compliant	Compliant	Not Compliant	Compliant
Compensation	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Communica- tions, Utilities, and Other Rent	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
Education - Chapter 33	Compliant	Compliant	Compliant	Not Applicable	Compliant	Compliant
Medical Care Contracts and Agreements	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
Pension	Compliant	Compliant	Compliant	Compliant	Not Compliant	Compliant
Prosthetics	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
Purchased Long-Term Services and Supports	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
Supplies and Materials	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
State Home Per Diem	Compliant	Compliant	Compliant	Compliant	Not Compliant	Compliant
VA Community Care	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant

Source: *OIG Analysis and VA AFR FY 2018*

## What the OIG Did

The OIG reviewed VA's FY 2018 AFR to assess compliance with IPERA reporting requirements. The OIG also reviewed federal laws and regulations and interviewed VA officials within VA's Improper Payments Remediation and Oversight Office, as well as VBA and VHA officials. In addition, the OIG reviewed five risk assessments to determine whether the risks were properly assessed based on known deficiencies.

The OIG reviewed VA's corrective action plans for reasonableness and validated whether each corrective action plan contained the necessary elements as required by OMB. The OIG also selected and reviewed payments deemed improper by VA to determine whether each of the corrective action plans focused on the appropriate root causes. Further, the OIG evaluated whether VA accurately reported improper payments. For additional information, see the Scope and Methodology sections in Appendix B.

## Data Used for FY 2018 Report

OMB allows VA to report improper payment data based on the previous fiscal year's activity. Because of this, the OIG's review used the FY 2017 data published in VA's 2018 AFR.

## IPERA Requirements Not Met by VA

### IPERA Requirement 5: Eight VA Programs and Activities Did Not Meet Reduction Targets

VA did not comply with the IPERA requirement to publish and meet annual reduction targets for programs and activities previously reported with improper payment rates. VA's target reduction rates for FY 2018 were published in its FY 2017 AFR. According to VA's FY 2018 AFR, eight of the 12 programs and activities did not meet these reduction targets. Compliance with the requirement to publish and meet reduction targets was based on a comparison of FY 2017 published reduction targets to either the FY 2018 AFR improper payment rates or the lower limit of VA's projected confidence interval per OMB A-123 requirements.<sup>15</sup>

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<sup>15</sup> According to OMB Circular A-123, Appendix C, Part IV, A(5), if a plan meets guidance for a statistically valid and robust estimate, an agency is considered as meeting its reduction target if the lower limit for its confidence interval is less than the reduction target.

Table 2 lists the VA programs and activities that did not meet reduction targets.

**Table 2. VA Programs and Activities That Missed  
FY 2018 Reduction Targets (by Percent)**

Program/Activity	FY 2018 target rate	FY 2018 improper payment rate*
CHAMPVA	5.60	6.93
Communications, Utilities, and Other Rent	24.40	65.48
Medical Care Contracts and Agreements	16.50	63.96
Pension	2.60	4.83
Purchased Long-Term Services and Supports	99.90	100.00
Supplies and Materials	18.75	31.53
State Home Per Diem	1.30	1.40
VA Community Care	92.40	100.50**

Source: OIG analysis of VA AFR FY 2017 and FY 2018, as well as VA projection workbooks

\* VA's FY 2018 actual improper payment rates are calculated and published in its FY 2017 AFR. The FY 2018 actual improper payment rates for Pension and State Home Per Diem programs are 6.85 and 3.49 percent, respectively. However, for the reasons stated in the footnote on the previous page, the improper payment rates for the Pension and the State Home Per Diem programs are based on the lower limit of the confidence interval threshold, as reported in VA's projection workbooks, not the actual reported improper payment rates in VA's FY 2018 AFR.

\*\* According to OMB Circular A-123, App. C., Part I D(1)a, agencies are required to determine an annual estimated improper payment amount that is a total of both over and underpayments (i.e., overpayments plus underpayments). The VA Community Care overpayment rate (95.07 percent) plus the underpayment rate (5.43 percent) equals 100.50 percent. Since an underpayment is a transaction that is reported below what it should have been, an underpayment could result in total improper payments more than the original payment total. This could result in an improper payment rate that is more than 100 percent.

According to VA officials, there were several reasons for missed reduction targets for the eight programs and activities.

1. **CHAMPVA:** The increase was due to the creation of duplicate payments caused by manual corrections of system-generated payment calculation errors.
2. **Communications, Utilities, and Other Rent:** The increase was due to VA's inability to reconcile contract pricing on its national contracts. VA did not have documentation to ensure that prices paid on orders placed against national contracts were the same or lower than the contracted rates. In addition, the lack of FAR-compliant contracts for purchases above the micro-purchase threshold contributed to improper payments for this activity.
3. **Medical Care Contracts and Agreements:** The increase was also due to VA's inability to reconcile contract pricing on national contracts.

4. **Pension:** The program did not meet its reduction target due to limitations accessing necessary information, including income and dependency status. In addition, the Pension program is designed to retroactively adjust benefits for overpayments and underpayments. Although benefits are retroactively adjusted, at the time they were made, they were improper and, therefore, are included in the improper payment estimate although the improper payment may have subsequently been corrected (i.e., refunded).
5. **Purchased Long-Term Services and Supports:** VA reported 100 percent improper payments for this activity for two consecutive fiscal years. This was primarily because staff without proper delegation placed orders. In its FY 2017 AFR, VA expected to meet its reduction target of 99.9 percent in FY 2018. The reduction target was high because of the extensive amount of time required to create contracts, partly due to the complicated nature of federal contracting regulations. However, improper payments remained at 100 percent because VA has not been able to create and award FAR-compliant contracts.
6. **State Home Per Diem:** The increase was due to a lack of documentation to support payments.
7. **Supplies and Materials:** As with Communications, Utilities, and Other Rent and Medical Care Contracts and Agreements, the increase was due to VA's inability to reconcile contract pricing on its national contracts. In addition, purchases were made without appropriate delegation of authority.
8. **VA Community Care:** As with Purchased Long-Term Services and Supports, the increase was due to staff making purchases without a delegation of authority. Another main cause was veterans receiving care prior to a determination that they were eligible for service.

### **IPERA Requirement 6: Seven VA Programs and Activities Exceeded the 10 Percent Threshold**

VA did not meet the improper payment rate threshold of less than 10 percent for seven of the 12 programs and activities. OMB Circular A-123 requires each agency to report a gross improper payment rate of less than 10 percent for each program and activity published in the AFR.

Table 3 shows reported improper payment rates published in the FY 2017 and FY 2018 AFRs for programs and activities that exceeded the 10 percent threshold.

**Table 3. Improper Payment Rates for Programs and Activities  
Exceeding the 10 Percent Threshold (\$ in Millions)**

Program/Activity	FY 2017 improper payments	Improper payment percentage	FY 2018 improper payments	Improper payment percentage
Beneficiary Travel	\$223.76	25.15	\$215.97	23.54
Communications, Utilities, and Other Rent	\$352.74	24.42	\$998.71	65.48
Medical Care Contracts and Agreements	\$157.31	16.61	\$635.91	63.96
Prosthetics	\$1,448.33	59.95	\$1,020.73	39.65
Purchased Long-Term Services and Supports	\$1,890.46	100.00	\$2,059.14	100.00
Supplies and Materials	\$479.79	18.76	\$829.18	31.53
VA Community Care	\$5,257.56	93.40	\$7,998.14	100.50

Source: VA AFR FY 2017 and FY 2018

VA reported improper payment rates ranging from 23.54 to 100.50 percent for the seven programs and activities. Although the improper payment estimates for the Beneficiary Travel and Prosthetics programs exceeded 10 percent, the programs reported a reduction in improper payments. The remaining five programs reported an increase in improper payments from FY 2017. VA reported in its FY 2018 AFR that the increase in improper payments was primarily due to administrative or processing errors, insufficient documentation, or noncompliance with FAR requirements. VA also reported that the rise in improper payments resulted from improved processes.

According to VA's FY 2018 AFR, VA continues to face challenges acquiring care in the community that complies with the FAR, which contributed to improper payments for the Purchased Long-Term Services and Supports and VA Community Care programs. In FY 2018, VA reported that some payments for Community Nursing Homes and Inpatient Hospice Care Contracts were improper because VA staff who authorized care were not formally delegated ordering officers and, therefore, they could not authorize care. The orders they placed did not comply with the FAR. Purchases made without meeting contractual requirements are considered

improper payments. VA anticipates that implementation of the MISSION Act will help substantially reduce these improper payments.<sup>16</sup>

## **IPERA Requirements Met by VA**

### **IPERA Requirement 1: VA Published an AFR**

VA published an AFR for the most recent fiscal year along with accompanying materials as required. The accompanying materials included payment reporting, the results of recapture audits, and barriers that prevented VA from further reducing improper payments.

### **IPERA Requirement 2: VA Conducted Risk Assessments**

VA conducted risk assessments for 82 programs and activities, including 12 programs and activities susceptible to significant improper payments, as required by Title 31, United States Code, Section 3321.<sup>17</sup> Appendix D lists all programs and activities for which VA conducted a risk assessment to identify programs that were susceptible to significant improper payments. For FY 2018, VA developed and implemented a new comprehensive risk assessment process to reduce the administrative burden associated with conducting multiple assessments. VA's risk assessment process incorporated the risk factors identified in OMB Circular A-123 and met frequency requirements.<sup>18</sup>

Based on the results of the risk assessments, VA will estimate improper payments for programs and activities identified as susceptible to significant improper payments in FY 2019. The risk assessment identified the Dependency & Indemnity Compensation program as susceptible to significant improper payments; therefore, VA stated it would estimate and report the program's improper payments in its FY 2019 AFR.

### **IPERA Requirement 3: Publish Improper Payment Estimates**

VA published statistically valid improper payment estimates for all 12 programs and activities identified as susceptible to significant improper payments. VA developed a sampling plan, identified a sample for each of the 12 programs, and tested the payments made for the

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<sup>16</sup> The VA MISSION Act (VA Maintaining Internal Systems and Strengthening Integrated Outside Networks Act) of 2018, Pub. L. 115-182 § 1703A. The VA MISSION Act allows VA to purchase care in the community through either Veterans Care Agreements or community care network contracts, which have less stringent FAR requirements.

<sup>17</sup> The Improper Payments Elimination and Recovery Information Act of 2010, § 2 (codified at 31 U.S.C. § 3321 note) requires agencies to identify programs and activities susceptible to significant improper payments.

<sup>18</sup> OMB Circular A-123, App. C, Part I.C(2)b lists factors likely to contribute to a susceptibility of significant improper payments, including the age of the program; the complexity of the program, particularly in relation to determining correct payment amounts; volume of payments; and recent major program changes, among others.

corresponding samples. The sample transactions were identified as either proper or improper, and the corresponding monetary value was calculated. The totals derived from VA's testing were projected for each of the 12 programs and activities and reported in the AFR.

OMB requires an agency to use a statistically valid plan or a plan approved by OMB to obtain a statistically valid improper payment estimate.<sup>19</sup> A statistically valid plan produces valid point estimates—here, the improper payment estimates—and confidence intervals around those estimates.<sup>20</sup> The OIG confirmed that the point estimates (i.e., the improper payment estimates) produced by VA were valid. However, the OIG found that VA did not produce valid confidence intervals around its estimates because it did not use a statistically valid methodology for calculating variability (see Appendix B for more details). The OIG found that the improper payment estimates for seven programs and activities had margins of error wider than initially indicated in the sampling plans. After discussions with VA officials, VA has agreed to adjust its methodology for calculating variability in the future.

Nevertheless, because the OIG found no material difference between VA's reported improper payment estimates and the OIG's calculated improper payment estimates, the OIG determined that VA was in compliance with this requirement.

#### **IPERA Requirement 4: VA Published Corrective Action Plans**

VA reported corrective action plans for 11 of 12 programs and activities in its FY 2018 AFR as required.<sup>21</sup> A corrective action plan was not required for the 12th program (Education - Chapter 33) because the improper payment estimate did not exceed the significant improper payment threshold.<sup>22</sup> The OIG reviewed five improper payment samples for each of the 11 programs and activities to validate the appropriateness of VA's identified root causes. This review confirmed the appropriateness of the identified root causes. The OIG further determined the corrective actions to be reasonable to address the root causes and reduce improper payments for the 11 programs and activities.

VA reported in its FY 2018 AFR that \$6.60 billion of improper payments were due to purchases that did not comply with the FAR, including purchases made without the appropriate delegation of authority or without a formal contract. For six programs and activities, VA reported it would

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<sup>19</sup> OMB Circular A-123, App. C, Part I.D(1).

<sup>20</sup> OMB Circular A-123, App. C, Part I.D(1).

<sup>21</sup> OMB Circular A-123, App. C, Part III.A(1).

<sup>22</sup> OMB Circular A-123, App. C, Part I.B defines significant improper payments as gross annual improper payments in the program exceeding (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million.

implement 14 corrective actions to reduce improper payments associated with purchases that were not in compliance with the FAR.<sup>23</sup>

One of VA's 14 corrective actions directed at decreasing improper payments related to purchases that were not FAR compliant is based on the MISSION Act, which became law in June 2018. The MISSION Act allows VA to purchase care in the community through either Veterans Care Agreements or community care network contracts not subject to FAR requirements. VA anticipates it will see a reduction in improper payments from purchasing care in the community without authority in approximately two years after implementation of the act.

In addition, the National Defense Authorization Act for FY 2018 increased the micro-purchase threshold from \$3,500 to \$10,000.<sup>24</sup> VA implemented the act as of June 2018.<sup>25</sup> Based on the increase of the threshold for purchases that can be made without a FAR-compliant contract, improper payments should decrease.

Further, VA reported in its FY 2018 AFR that it developed a plan to implement a system to manage delegation of authority information. This system will allow VA to verify that appropriate staff have the authority to obligate funds for care in the community.

## **Nine VA Programs and Activities Identified as Noncompliant for Two or More Fiscal Years**

In accordance with IPERA, agencies found to be noncompliant for one fiscal year or more must complete several actions to achieve compliance. Additional requirements apply to programs that are not compliant for two or more fiscal years.

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<sup>23</sup> The six programs were Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Prosthetics; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care.

<sup>24</sup> The National Defense Authorization Act for Fiscal Year 2018, Pub. L. 115-91, § 806 (Dec. 12, 2017).

<sup>25</sup> VA Financial Policy, Government Purchase Card for Micro-Purchases, vol. 16, June 2018.

For FY 2018, the OIG identified nine VA programs and activities, shown in Table 4, that did not satisfy IPERA requirements for two or more consecutive fiscal years.

**Table 4. VA OIG-Identified Noncompliant Programs for Consecutive Fiscal Years**

Program/Activity	FY 2015	FY 2016	FY 2017	FY 2018
Beneficiary Travel	X	X	X	X
Purchased Long-Term Services and Supports	X	X	X	X
Supplies and Materials	X	X	X	X
VA Community Care	X	X	X	X
CHAMPVA		X	X	X
Communications, Utilities, and Other Rent			X	X
Medical Care Contracts and Agreements			X	X
Pension			X	X
Prosthetics			X	X

Source: OIG analysis of VA AFR FY 2015 through FY 2018

Four programs and activities—Beneficiary Travel, Purchased Long-Term Services and Supports, Supplies and Materials, and VA Community Care—have been noncompliant for four consecutive fiscal years. The primary causes of improper payments for the four programs and activities in FY 2018 were administrative or process errors, insufficient documentation, and noncompliance with FAR requirements. Purchased Long-Term Services and Supports reported 100 percent improper payments for the second consecutive year. The Supplies and Materials and VA Community Care program and activity reported an increase in improper payments, when compared with their FY 2017 improper payment rates. In FY 2017, after three consecutive fiscal years of VA OIG reporting noncompliance for the four programs, VA submitted reauthorization or statutory change proposals to Congress to bring the programs and activities into compliance.

The OIG has reported for the third straight fiscal year that the CHAMPVA program did not meet reduction targets due to administrative or process errors. Additionally, the OIG has reported four more programs and activities—Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Pension; and Prosthetics—as noncompliant with IPERA for the second year in a row. Improper payments for these programs have been mainly attributed to administrative or processing errors, failure to verify financial data, and/or insufficient documentation. As a result of the OIG's FY 2017 IPERA review, VA submitted plans to Congress on the actions it would take for these five programs and activities to become compliant.

As the OIG continued to report programs noncompliant with IPERA reporting requirements, VA exhibited increasing overall improper payment amounts. Specifically, VA's improper payments over the past four fiscal years have increased by about 196 percent; from approximately \$4.97 billion in FY 2015 to approximately \$14.73 billion in FY 2018, as detailed in Figure 1.

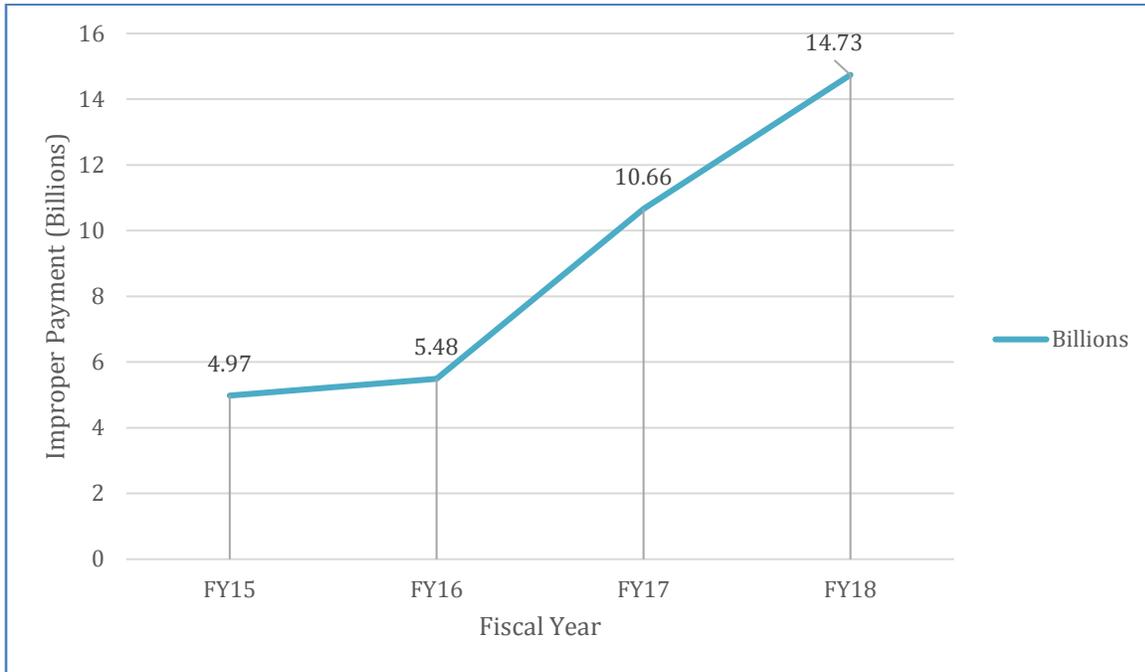


Figure 1. VA improper payments by fiscal year  
(Source: VA AFR FY 2015-FY 2018)

According to VA, the rise in improper payments are the result of improved processes that were not being performed in prior fiscal years. These additional testing procedures have resulted in the identification of additional improper payments. However, corrective actions are needed at the program level to reduce the number and monetary value of improper payments being identified during IPERA reviews. The OIG is keeping open the recommendation related to meeting program reduction targets for the fourth consecutive fiscal year. Additionally, the OIG is keeping open the recommendation for VA to ensure programs do not exceed the 10 percent improper payment threshold for the third consecutive fiscal year.

### Additional Requirements for a High-Priority Program

As required by the Improper Payments Elimination and Recovery Improvement Act, OMB must designate the programs with the highest dollar value or rate of improper payments as high-priority.<sup>26</sup> The high-priority threshold for FY 2018 is \$2 billion in estimated improper

<sup>26</sup> Improper Payments Elimination and Recovery Improvement Act of 2012, § 3.

payments.<sup>27</sup> Additional requirements for high-priority programs include tailoring corrective actions, reporting actions to prevent and recover improper payments to the public, and developing semiannual or quarterly actions to reduce improper payments.<sup>28</sup>

In FY 2017, VA performed high-priority reporting requirements for the Compensation, Purchased Long-Term Services and Supports, and VA Community Care programs and activities. However, for FY 2018, VA determined the Compensation and Purchased Long-Term Services and Supports programs had improper payments that were below OMB's threshold and OMB approved the removal of the high-priority designation for these two programs. For FY 2018, OMB designated VA Community Care as a high-priority program with improper payments estimated at \$7.99 billion.

VA met high-priority requirements by tailoring corrective actions, reporting actions to prevent and recover improper payments to the public, developing semiannual or quarterly actions to reduce improper payments for the VA Community Care program, and publishing them on [paymentaccuracy.gov](http://paymentaccuracy.gov).<sup>29</sup> The OIG is also required by OMB Circular A-123, Appendix C, to review the assessment of the level of risk, evaluate the quality of the improper payment estimates and methodology, and review the oversight or financial controls used to identify and prevent improper payments for high-priority programs.<sup>30</sup>

- With respect to VA's assessment of the level of risk for the VA Community Care program, VA has assessed a high level of risk, which is consistent with the reported improper payments in its FY 2018 AFR.
- With respect to the quality of estimates, VA produced a statistically valid improper payment estimate for the VA Community Care program when compared with the OIG's independent estimate.
- For oversight and financial controls used to identify and prevent improper payments for VA's Community Care program:
  - The supplemental measures approved by OMB will support additional oversight and the progress VA is making to reduce improper payments. In addition, after VA implements the MISSION Act, improper payments will decrease for VA Community Care.
  - VA also utilized a program integrity tool using business rules to detect and prevent duplicate improper payments in a prepayment state (by cancelling a transaction prior to releasing payment).

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<sup>27</sup> OMB Circular A-123, App. C, Part II.B(1).

<sup>28</sup> OMB Circular A-123, App. C, Part II.B(2).

<sup>29</sup> OMB Circular A-123, App. C, Part II.B(2).

<sup>30</sup> OMB Circular A-123, App. C, Part IV.A(4).

- Additionally, VA reported it had recovered \$35.6 million in FY 2018 improper VA Community Care payments through recovery audits.

## Update on VBA Concurrent Payments on Drill Pay

In the FY 2017 OIG IPERA report, the OIG noted that VA could make further improvements in reducing improper payments for drill pay by correcting a program design issue.<sup>31</sup> The following is an update on those observations.

VBA's Compensation and Pension programs made improper payments that could not be avoided due to the concurrent payment design of the Department of Defense's (DOD) Drill Pay and VBA's Compensation and Pension programs. Drill pay is military reserve pay earned by National Guard members and reservists while training on weekends and during full-time training events. Federal law prohibits participants from receiving Compensation and Pension program benefits while receiving drill pay.<sup>32</sup> Currently, VBA cannot prevent Compensation and Pension program payments from being made concurrent with drill pay and must rely on an annual data match with DOD to identify payments after the fact.

In FY 2018, the OIG recommended that VBA continue working with DOD to increase the frequency of drill pay adjustments from annually to monthly. As of February 2019, VBA continues to pursue options to automate drill pay adjustments on a more frequent basis. VBA drafted a regulation to revise the due process requirements for certain military pay adjustments, so that an automated drill pay adjustment may occur. Additionally, VBA stated it received comments from the Office of General Counsel on October 10, 2018 and is in the process of working with the DOD and VA to address the comments. VA reported in its FY 2018 AFR that it continues to seek regulatory relief from issuing due process prior to making drill pay adjustments, which is a barrier to resolving drill pay improper payments. The OIG recommends VA continue to report on this barrier until resolved. VA anticipates implementing a new monthly drill pay process by July 2019.

## Conclusion

The OIG found that for FY 2018, VA was noncompliant with IPERA as eight VA programs and activities missed reduction targets (requirement 5), and seven programs and activities reported improper payment rates that exceeded the 10 percent improper payment rate threshold (requirement 6). VA did meet four of the six IPERA requirements for FY 2018 by publishing the AFR (requirement 1), conducting risk assessments (requirement 2), publishing improper payment estimates (requirement 3), and publishing corrective actions (requirement 4).

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<sup>31</sup> VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2017 (Report No.17-05460-169) May 15, 2018.

<sup>32</sup> 10 U.S.C.§12316 and 38 U.S.C.§5304(c).

In addition, the OIG identified four programs and activities as noncompliant for four consecutive fiscal years, one program as noncompliant for three years, and four programs as noncompliant for two years. VA also satisfied the additional requirements for one program—VA Community Care—designated as high-priority.

The previously reported recommendation for implementing steps to achieve reduction targets for Beneficiary Travel and Education – Chapter 33 in the OIG's FY 2017 IPERA Review report are considered closed. The recommendation for implementing steps to achieve reduction targets for CHAMPVA, Pension, Purchased Long-Term Services and Supports, Supplies and Materials, and VA Community Care remain open. Additionally, the recommendation on developing a timeline to reduce improper payments under the 10 percent threshold remains open.

Additionally, VBA continues to work with DOD to increase the frequency of drill pay adjustments to correct a program design issue. Until the issue is resolved, VBA should continue to report any barriers related to drill pay that prevent a complete resolution of any related improper payments. The two previously reported recommendations in the OIG's FY 2017 IPERA Review report remain open.

## **Recommendation**

The Under Secretary for Health implement steps to achieve stated reduction targets for the following programs and activities: Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; and State Home Per Diem.<sup>33</sup>

## **Management Comments**

The Assistant Secretary for Management and Chief Financial Officer concurred with the one new recommendation and provided updates to the six open recommendations from the previous OIG FY 2017 IPERA report. The complete response from the Assistant Secretary for Management and Chief Financial Officer is included in Appendix G of this report.

In response to the one new recommendation, VHA stated it reported 12 corrective actions to assist in reducing improper payments for the three programs in the FY 2018 AFR. Reductions in improper payments are anticipated to be achieved through the implementation of the corrective actions. As of March 2019, VA reported it has implemented five of the 12 corrective actions and expects to see progress in reducing improper payments in the three programs as early as FY 2020.

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<sup>33</sup> Recommendations directed to the Under Secretary for Health were submitted to the Executive in Charge, who has the authority to perform the functions and duties of the Under Secretary for Health.

## **Status of Open Recommendations from FY 2017 OIG IPERA Report**

Regarding Recommendation 1, VA stated that it has developed timelines to reduce improper payments under the 10 percent threshold for each of the seven programs mentioned in the recommendation. VHA states that while it expects to see some progress as early as FY 2020, the results from the corrective actions implemented in these timelines will not be fully reported on until the FY 2022 AFR.

Regarding Recommendation 2, VHA stated that nine of 24 corrective actions reported in the FY 2018 AFR have been successfully implemented; 15 corrective actions are open and pending completion. VHA stated while it expects to see some progress as early as FY 2020, the results from the corrective actions implemented during these timelines will not be fully reported on until the FY 2022 AFR.

Regarding Recommendation 3, VBA stated that it amended its regulations to require an evaluation of net worth and assets for veterans and survivors. According to VBA, the amended regulation will help ensure that only qualified veterans and survivors receive pension benefits. In addition, beginning June 2019, VBA plans to expand the use of Upfront Income Verification using Federal Tax Information to support claims for increases in pension benefits.

Regarding Recommendation 4, the OIG previously closed this recommendation during the course of its quarterly follow up process on open report recommendations. The OIG confirmed that VHA had established additional testing procedures to review indefinite-delivery contracts.

Regarding Recommendation 5, VBA stated it drafted a proposed regulation change that would reduce the financial impact associated with receipt of VA disability compensation and active service pay. VBA adds that the proposal would allow it to make necessary adjustments as close in time to the receipt of active service pay as possible. The proposed active service rule was published in the Federal Register on April 19, 2019, with the public comment period expiring in June 2019.

Regarding Recommendation 6, VBA stated the due process requirement is the greatest barrier to timely resolving drill pay improper payments in the FY 2018 AFR. VBA stated since this issue will be reported in the AFR until resolved, it requested closure on the recommendation.

### **OIG Response**

The Assistant Secretary for Management and Chief Financial Officer's planned corrective actions are acceptable and the OIG will follow up on their implementation during the FY 2019 review of VA's compliance with IPERA. Regarding recommendation 6, the OIG maintains that the recommendation should remain open until regulatory and related process changes resolve the concurrent drill pay issue.

## **Appendix A: Background**

### **Program Office Responsibility**

VA's Improper Payments Remediation and Oversight Office, within the Office of Finance, provides oversight and coordination of IPERA compliance activities. Individual administrations and staff offices are responsible for performing IPERA requirements applicable to their programs and activities, which are described below.

### **Beneficiary Travel**

Beneficiary Travel provides eligible veterans and other beneficiaries mileage reimbursement or common carrier or special mode transportation to receive VA-authorized health care.

### **CHAMPVA**

CHAMPVA shares the cost of covered healthcare services and supplies as a secondary payer or payer of last resort for certain eligible beneficiaries.

### **Communication, Utilities, and Other Rent**

Communications, Utilities, and Other Rent comprises payments for use of communications, utility services, and charges for possession and use of land, structures, or equipment owned by others.

### **Compensation**

VA provides compensation to veterans who are at least 10 percent disabled because of injuries or diseases that occurred or were aggravated during active military service.

### **Medical Care Contracts and Agreements**

Medical Care Contracts and Agreements includes contracts for research, medical and educational data or services, reimbursements at contract per diem rates for hospitalization, dialysis treatment furnished by non-VA facilities, and indirect charges added for research and demonstration projects.

### **Pension**

The Pension program provides supplemental income to veterans and their families with financial challenges.

## **Post-9/11 GI Bill**

The Post-9/11 GI Bill provides educational assistance to veterans who served on active duty on or after September 11, 2001. VA establishes an annual maximum tuition and fee amount for students attending private schools but has no limit for in-state students attending public schools.

## **Prosthetics**

Prosthetics funds are used for the provision of medically prescribed prosthetics and sensory aids, devices, assistive aids, repairs, and services to eligible disabled veterans for the treatment of their medical conditions.

## **Purchased Long-Term Services and Supports**

Purchased Long-Term Services and Supports is organizationally aligned under VHA's Geriatrics and Extended Care, focusing on serious illness and chronically ill veterans who require long-term services and support.

## **State Home Per Diem**

Under the State Home Per Diem program, states may provide care for eligible veterans in need of care in three types of programs: nursing home, domiciliary, and adult day health care.

## **Supplies and Materials**

Supplies and Materials are acquired by formal contract or other form of purchase consumed or expended within one year.

## **VA Community Care**

VA Community Care was established to provide timely and specialized care to eligible veterans by authorizing veterans for care in the community if needed services are not available through the VA.

## **Prior Reviews**

Since 2012, the OIG has issued annual reports on VA's compliance with IPERA as required by OMB. The three most recent reports are:

- *VA's Compliance With the Improper Payments Elimination and Recovery Act for FY 2017* (Report No.17-05460-169, May 15, 2018). VA did not comply with two of six requirements.

- *Review of VA's Compliance With the Improper Payments Elimination and Recovery Act for FY 2016* (Report No.16-04416-231, May 15, 2017). VA did not comply with two of six requirements.
- *Review of VA's Compliance With the Improper Payments Elimination and Recovery Act for FY 2015* (Report No.15-04252-284, May 12, 2016). VA did not comply with two of six requirements.

## Appendix B: Scope and Methodology

### Scope

The OIG conducted review work from September 2018 through April 2019. Our review focused on improper payment information reported in VA's FY 2018 AFR, as required by IPERA.

### Methodology

To assess VA's compliance with IPERA, the OIG reviewed VA's FY 2018 AFR, Section III, "Other Information, Payment Integrity," as published on VA's website. The OIG obtained VA's reduction targets from its FY 2017 AFR. The OIG also reviewed VA policies and interviewed VA Office of Management, VBA, and VHA officials to gain an understanding of VA's IPERA reporting controls.

VA completed 82 risk assessments for FY 2018 as part of its three-year cycle, and the OIG reviewed five (based on programs designated medium risk and with the highest program outlays) to determine whether the risks were properly assessed based on known deficiencies. The OIG also reviewed VA's corrective action plans as reported in its AFR for reasonableness and validated whether each corrective action plan contained the necessary elements as required by OMB. Additionally, the OIG selected and reviewed payments deemed improper by VA to determine whether each of the corrective action plans focused on the appropriate root causes.

An OIG statistician reviewed the statistical validity of sampling methodologies for the programs and activities reported in the AFR and performed independent calculations to verify sample estimates and margins of error for several programs and activities. Those programs included one designated as high priority by OMB (VA Community Care) and 11 additional programs and activities (Beneficiary Travel; CHAMPVA; Compensation; Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Pension; Purchased Long-Term Services and Supports; Prosthetics; Post-9/11 GI Bill; State Home Per Diem; and Supplies and Materials) susceptible to significant improper payments. In addition, the OIG Statistician developed independent statistical estimates based on VA's improper payment test results.

The OIG evaluated whether VA accurately reported improper payments; however, the OIG did not reevaluate VA's sample transactions to determine if VA correctly identified all improper payments in its samples used to estimate improper payments. The OIG performed sample testing for 11 of the 12 programs and activities by selecting and reviewing 10 payments for each program or activity that VA originally categorized as proper to verify if the payments were proper. For the remaining program, Purchased Long-Term Services and Supports, VA reported all samples as 100 percent improper in the FY 2018 AFR, so no additional testing was performed.

## Statistical Analysis

VA self-certified sampling plans for all programs identified as susceptible to significant improper payments as statistically valid and rigorous or statistically valid. The OIG found that VA's methodology for calculating variability—which affects margin of error and confidence interval—was not valid. The OIG's independent analysis found that the margin of error for seven programs and activities exceeded the margin of error indicated in the sampling plans. The seven programs and activities are Beneficiary Travel; CHAMPVA; Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Prosthetics; Supplies and Materials; and VA Community Care.<sup>34</sup>

Although these programs and activities did not meet the margin of error criteria reported in VA's sampling plans, OMB provides that a statistically valid plan may obtain a wider margin of error than plus or minus 3 percent at the 95 percent confidence interval. In addition, VA's plan was self-certified and constructed in consultation with a statistician that determined it to be statistically valid. Nonetheless, VA is willing to make improvements to the FY 2018 statistical plans, according to the director of the VA Improper Payments Remediation and Oversight Office.

## Fraud Assessment

The OIG assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this review. The OIG exercised due diligence in staying alert to any fraud indicators and did not identify any instances of fraud or potential fraud during this review.

## Data Reliability

Information published by VA in its FY 2018 AFR provided the primary basis for our evaluation of VA's compliance with IPERA. To assess the reliability of VA's published information, the OIG reviewed the statistical methodologies that VA applied to payment data for several programs and activities and identified data sources from VA's sampling plans. According to those plans, VHA obtained data for its programs and activities from VA's Financial Management System. The data for VBA's programs came from the Veterans Service Network Database, Benefits Delivery Network, and the Web Enabled Approval Management System.

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<sup>34</sup> Under its methodology, VA found that its estimates for five of these programs and activities—Beneficiary Travel; Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Supplies and Materials; and VA Community Care—did not meet its anticipated precision level.

The OIG did not:

- Perform its own independent risk assessments of VA's programs and activities; and
- Evaluate all of VA's sample transactions to determine if VA correctly identified improper payments (except as previously discussed in the overall methodology section).

The OIG designed our procedures to determine whether VA complied with IPERA according to OMB's six compliance criteria and to meet requirements pertaining to high-priority programs—not to attest to the accuracy of VA's reporting. The OIG believes our procedures to assess data reliability were sufficient to support the review's objective.

## **Government Standards**

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

## Appendix C: Summary of FY 2017 and FY 2018 IPERA Compliance

Table C.1 shows VA's compliance with IPERA requirements for FY 2017 and FY 2018.

**Table C.1. Summary Comparison of IPERA Compliance by Fiscal Year**

Requirement	FY 2017	FY 2018
Publish an AFR	Compliant	Compliant
Conduct a specific risk assessment for each program	Compliant	Compliant
Publish improper payment estimates as appropriate	Compliant	Compliant
Publish corrective action plans	Compliant	Compliant
Publish and meet reduction targets	Seven programs did not meet reduction targets: Beneficiary Travel CHAMPVA Pension Post 9/11 GI Bill Purchased Long-Term Services and Supports Supplies and Materials VA Community Care	Eight programs did not meet reduction targets: CHAMPVA Communications, Utilities, and Other Rent Medical Contracts and Agreements Pension Purchased Long-Term Services and Supports State Home Per Diem Supplies and Materials VA Community Care
Report a gross improper payment rate of less than 10 percent	Seven programs did not report a gross improper payment rate of less than 10 percent: Beneficiary Travel (25.15%) Communications, Utilities, and Other Rent (24.42%) Medical Care Contracts and Agreements (16.61%) Prosthetics (59.95%) Purchased Long-Term Services and Supports (100%) Supplies and Materials (18.76%) VA Community Care (93.35%)	Seven programs did not report a gross improper payment rate of less than 10 percent: Beneficiary Travel (23.54%) Communications, Utilities, and Other Rent (65.48%) Medical Care Contracts and Agreements (63.96%) Prosthetics (39.65%) Purchased Long-Term Services and Supports (100%) Supplies and Materials (31.53%) VA Community Care (100.50%)

*Source: VA OIG, based on VA's FY 2017 and FY 2018 AFR and OIG determination of IPERA compliance*

## Appendix D: IPERA Reporting Compliance

Table D.1 illustrates compliance with each IPERA requirement for VA's programs and activities.

**Table D.1. IPERA Reporting Compliance Table**

Program/Activity	Published an AFR	Conducted a risk assessment	Published an improper payment estimate	Published corrective action plan	Published and is meeting reduction target	Reported an improper payment rate of less than 10%
Beneficiary Travel	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
CHAMPVA	Compliant	Compliant	Compliant	Compliant	Not Compliant	Compliant
Compensation	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Communications, Utilities, and Other Rent	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
Education Chapter 33	Compliant	Compliant	Compliant	Not Applicable	Compliant	Compliant
Medical Care Contracts and Agreements	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
Pension	Compliant	Compliant	Compliant	Compliant	Not Compliant	Compliant
Prosthetics	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
Purchased Long-Term Services and Supports	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
Supplies and Materials	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
State Home Per Diem	Compliant	Compliant	Compliant	Compliant	Not Compliant	Compliant
VA Community Care	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
Activities with other Federal Agencies	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Alcohol & Drug Treatment Rehabilitation	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

<b>Program/Activity</b>	<b>Published an AFR</b>	<b>Conducted a risk assessment</b>	<b>Published an improper payment estimate</b>	<b>Published corrective action plan</b>	<b>Published and is meeting reduction target</b>	<b>Reported an improper payment rate of less than 10%</b>
Automobile Grants	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Burial (NCA)	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Burial (VBA)	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Canteen Service	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Caregiver Stipend	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Clothing Allowance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Compensated Work Therapy - Incentive Therapy	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Dependency & Indemnity Compensation	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Disaster Relief (Hurricane Sandy)	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Department of Defense/VA Joint Incentive fund	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Education – Chapter 1606	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Education – Chapter 1607	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Education - State Approving Agencies	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Education Reporting Fees	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Equal Access to Justice Act	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Equipment	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

<b>Program/Activity</b>	<b>Published an AFR</b>	<b>Conducted a risk assessment</b>	<b>Published an improper payment estimate</b>	<b>Published corrective action plan</b>	<b>Published and is meeting reduction target</b>	<b>Reported an improper payment rate of less than 10%</b>
Facility Maintenance Operations	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Foreign Medical Program	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Franchise Fund	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
General Administration	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
General Operating Expense	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
General Post Fund	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Grants - Highly Rural Transportation	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Grants - Homeless Per Diem	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Grants- Construction of State Extended Care Facilities	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Healthcare for Homeless Veterans	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Human Resources – Payroll	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Human Resources Administration	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Indian Health Services	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Information Technology Services	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
In-house Provider Services	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Insurance Claims & Interest Expense	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

<b>Program/Activity</b>	<b>Published an AFR</b>	<b>Conducted a risk assessment</b>	<b>Published an improper payment estimate</b>	<b>Published corrective action plan</b>	<b>Published and is meeting reduction target</b>	<b>Reported an improper payment rate of less than 10%</b>
Land and Structures	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Loan Guaranty - Direct Loans	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Loan Guaranty - Loan Production	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Loan Guaranty - Loan Sales	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Loan Guaranty - Loans Administration	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Loan Guaranty - Property Management	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Medical and Prosthetic Research	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Montgomery GI Bill - Chapter 30	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
National Service Life Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Non-Medical Contracts	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Non-VHA Special Adaptive Equipment and Maintenance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Office of Acquisition, Logistics and Construction – Major/Minor Construction	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Office of Information & Technology	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Off-station Provider Services	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

<b>Program/Activity</b>	<b>Published an AFR</b>	<b>Conducted a risk assessment</b>	<b>Published an improper payment estimate</b>	<b>Published corrective action plan</b>	<b>Published and is meeting reduction target</b>	<b>Reported an improper payment rate of less than 10%</b>
Other Contracts, Services, and Miscellaneous	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Pharmacy – Consolidated Mail Outpatient Pharmacies	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Pharmacy - Medical Facilities	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Printing and Reproduction	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Professional Services Contracts	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Restored Entitlement Programs for Survivors	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Service Disabled Veterans' Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Servicemembers' Group Life Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Shared Services	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Specially Adapted Housing	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Spina Bifida Health Care	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Support Services for Veteran Families	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Supply Fund	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Survivor and Dependents Education Assistance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Transportation of Things	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

<b>Program/Activity</b>	<b>Published an AFR</b>	<b>Conducted a risk assessment</b>	<b>Published an improper payment estimate</b>	<b>Published corrective action plan</b>	<b>Published and is meeting reduction target</b>	<b>Reported an improper payment rate of less than 10%</b>
Travel	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
United States Government Life Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Veterans Insurance an Indemnitees	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Veterans' Reopened Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Veterans Special Life Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Vocational Rehabilitation - Contract Counseling	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Vocational Rehabilitation Beneficiary Payment	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

*Source: VA OIG, based on VA's FY 2018 AFR and OIG determination of IPERA compliance.*

## Appendix E: Status of FY 2017 IPERA Report Recommendations

Table E.1 provides the status of our FY 2017 IPERA report recommendations.

**Table E.1. Status of FY 2017 Recommendations**

Previous Recommendations and Status
<p><b>Recommendation 1:</b> The OIG recommended the Under Secretary for Health develop a timeline to reduce improper payments under the 10 percent threshold for the Beneficiary Travel; Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Prosthetics; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care programs and activities.</p> <p>Status: Open</p>
<p><b>Recommendation 2:</b> The OIG recommended the Under Secretary for Health implement steps to achieve stated reduction targets for the Beneficiary Travel; Civilian Health and Medical program of the Department of Veterans Affairs; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care programs and activities.</p> <p>Status: Closed for Beneficiary Travel and open for remaining programs and activities</p>
<p><b>Recommendation 3:</b> The OIG recommended the Under Secretary for Benefits implement steps to achieve reduction targets for the Pension and Post-9/11 GI Bill programs.<sup>35</sup></p> <p>Status: Closed for Post 9/11 GI Bill and open for Pension program</p>
<p><b>Recommendation 4:</b> The OIG recommended the Under Secretary for Health implement procedures to ensure thorough testing of sample items used to estimate improper payments for Supplies and Materials purchases under indefinite-delivery contracts.</p> <p>Status: Closed</p>
<p><b>Recommendation 5:</b> The OIG recommended the Under Secretary for Benefits continue working with the Department of Defense to increase the frequency of drill pay adjustments from annually to monthly.</p> <p>Status: Open</p>
<p><b>Recommendation 6:</b> The OIG recommended the Under Secretary for Benefits continue to report statutory barriers preventing complete resolution of drill pay improper payments in future Agency Financial Reports until resolved.</p> <p>Status: Open</p>
<p><i>Source: VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2017 (Report No.17-05460-169, May 15, 2018)</i></p>

<sup>35</sup> The Under Secretary for Benefits was confirmed by the U.S. Senate on April 26, 2018. Therefore, previous recommendations have been updated from the Executive in Charge, Veterans Benefits Administration, to the Under Secretary for Benefits.

## Appendix F: VA Programs Reported in the FY 2017 and FY 2018 AFR

Table F.1 shows the outlays, gross improper payment rates, and amounts that VA reported in its FY 2017 and FY 2018 AFR. Improper payment totals include both overpayments and underpayments.

**Table F.1. Improper Payment Reporting for FY 2017 and FY 2018 (\$ in Millions)**

Program/Activity	Payments reported in FY 2017 AFR	Improper payment percentage, FY 2017 AFR	Improper payments, FY 2017 AFR	Payments reported in FY 2018 AFR	Improper payment percentage, FY 2018 AFR	Improper payments, FY 2018 AFR
Beneficiary Travel	\$889.86	25.15	\$223.76	\$917.31	23.54	\$215.97
CHAMPVA	1,247.49	5.61	69.98	1,230.11	6.93	85.25
Communications, Utilities, and Other Rent	1,444.21	24.42	352.74	1,525.23	65.48	998.71
Compensation	67,696.73	.67	456.17	72,417.20	.55	399.15
Disaster Relief Act – Hurricane Sandy	34.84	.08	.027	N/A	N/A	N/A
Medical Care Contracts and Agreements	947.27	16.61	157.31	994.20	63.96	635.91
Pension	5,542.50	2.63	145.90	5,478.43	6.85	375.50
Post-9/11 GI Bill	11,719.64	1.42	166.16	11,146.32	.66	73.97
Prosthetics	2,415.92	59.95	1,448.33	2,574.17	39.65	1,020.73
Purchased Long-Term Services and Supports	1,890.46	100.00	1,890.46	2,059.14	100.00	2,059.14
State Home Per Diem	1,188.83	1.31	15.61	1,243.71	3.49	43.43
Supplies and Materials	2,556.85	18.76	479.79	2,629.44	31.53	829.18
VA Community Care	5,628.87	93.40	5,257.56	7,958.21	100.50	7,998.14
<b>Total VA</b>	<b>\$103,203.47</b>		<b>\$10,663.80</b>	<b>\$110,173.47</b>		<b>\$14,735.08</b>

Source: VA's FY 2017 and 2018 AFR. Amounts reported in each AFR based on prior fiscal year's activity.

Note: Due to rounding the columns may not sum.

## Appendix G: Management Comments

Department of Veterans Affairs Memorandum

Date: May 23, 2018

From: Assistant Secretary for Management and Chief Financial Officer (004)

Subj: Office of Inspector General (OIG) Draft Report, FY 2018 Review of VA's Compliance with the Improper Payments Elimination and Recovery Act (IPERA)

To: Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for the opportunity to comment on the draft report of the OIG's review of VA's FY 2018 compliance with IPERA. We appreciate the work your staff has conducted to strengthen our efforts to comply with IPERA requirements. We have reviewed the draft report and concur with the finding.
2. VA has invested considerable resources to understand the root causes that are causing its improper payments and develop realistic plans and timelines for implementing corrective actions. I have worked this year to ensure that all programs reporting over a 10 percent error rate have developed plans to reduce errors below this threshold within three years. While those corrective actions are being worked daily, many address systemic issues that will take time to implement (such as Mission Act and awarding contracts in other programs). This means that VA will not fully report the results of all ongoing and planned corrective actions until the FY 2022 Agency Financial Report. We remain committed to reducing improper payments, especially monetary loss, while still ensuring that our actions do not impact Veterans' timely access to care.
3. Attached is a Department-wide action plan with a response and target completion date for the current recommendation, and a status on the recommendations contained in the FY 2017 IPERA compliance report, from the appropriate Administration or Staff Office. If you have any questions, please call me or have a member of your staff contact Roberta Lowe, Director, Office of Business Oversight.

(Original signed by)

Jon J. Rychalski

Attachment

Office of Management

Action Plan

Draft OIG Report – Fiscal Year 2018 Review of VA's Compliance with the Improper Payments Elimination and Recovery (IPERA)

Date of Draft Report: 5/10/2019

Recommendations/ Status      Target Completion Date

Actions

OIG Recommendation

The OIG recommended the Executive in Charge, Veterans Health Administration implement steps to achieve stated reduction targets for the Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; and State Home Per Diem programs and activities.

Veterans Health Administration (VHA) Comments: Concur

VHA reported 12 corrective actions to assist in reducing the improper payment rates for the above listed 3 programs in the 2018 Agency Financial Report (AFR). Reductions are anticipated to be achieved through the implementation of these corrective actions. VHA preliminary testing shows that VHA programs continue to have issues with Federal Acquisition Regulation compliance. IPERA reviews are of prior year payments; therefore, results from all 12 corrective actions will not be fully reported on until the FY 2022 AFR; although VHA does expect to see some progress as early as FY 2020.

As of March 2019, 5 of the 12 corrective actions reported in the 2018 AFR have been successfully implemented and 7 are open and pending completion.

Status: In process      Target Completion Date: November 2022

Status of Prior Recommendations from FY 2017 OIG IPERA Report:

Recommendation 1. The Executive in Charge, Office of the Under Secretary for Health, develops a timeline to reduce improper payments under the 10 percent threshold for the Beneficiary Travel; Communications, Utilities, and Other Rents; Medical Care Contracts and Agreements; Prosthetics; Purchased Long-Term Services and Support; Supplies and Materials; and VA Community Care programs and activities.

Veterans Health Administration (VHA) Comments: Concur

VHA Status Update as of May 2019:

VA has developed timelines to reduce improper payments under the 10% threshold for each of the programs mentioned in the OIG recommendation. Results from the corrective actions implemented in these timelines will not be fully reported on until the FY 2022 AFR; although VHA does expect to see some progress as early as FY 2020.

Status: In process      Target Completion Date: November 2022

Recommendation 2. The Executive in Charge, Office of the Under Secretary for Health, implements steps to achieve stated reduction targets for the Beneficiary Travel, Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA); Purchased Long-Term Services and Supports (PLTSS);

Supplies and Materials; and VA Community Care (VACC) programs and activities. This is a repeat finding for all five programs from our FY 2016 report.

VHA Comments: Concur

VHA Status Update as of May 2019:

As of September 2018, 33 of the 43 corrective actions reported in the 2017 AFR have been successfully implemented; 3 were closed without implementation; and 7 were carried forward to the 2018 AFR for tracking and monitoring for completion.

As of March 2019, 9 of the 24 corrective actions reported in the 2018 AFR have been successfully implemented and 15 are open and pending completion. IPERA reviews are of prior year payments; therefore, results from all planned corrective actions will not be fully reported on until the FY 2022 AFR; although VHA does expect to see some progress as early as FY 2020. The OIG closed the recommendation for the Beneficiary Travel program in 2018.

Status: In process      Target Completion Date: November 2022

Recommendation 3. The OIG recommended the Under Secretary for Benefits implement steps to achieve stated reduction targets for the Pension and Post-9/11 GI Bill programs.

Veterans Benefits Administration (VBA) Comments: Concur

VBA Status Update as of May 2019:

VBA amended its regulations governing entitlement to VA pension to maintain the integrity of its Needs-Based Benefit. The regulation, "Net Worth, Asset Transfers and Income Exclusions for Needs-Based Benefit," effective October 18, 2018, established new requirements in the evaluation of net worth and assets (see link below). It establishes a clear limit on the amount of net worth a claimant may possess to qualify for pension benefits and allows for a 36-month (3-year) look-back period for review and entitlement purposes with a maximum 5-year penalty period. The amended regulation will help ensure that only qualified Veterans and survivors receive pension benefits. In October 2018, training on amended regulations, procedures and processes was provided to VBA employees responsible for processing claims as well as Veterans Service Organizations.

VBA also plans to expand the use of Upfront Income Verification using Federal Tax Information (FTI) to claims for increases involving special monthly pension, dependency, Medicaid and income adjustments. This process will be a phased implementation with the first phase to begin in June 2019 and scheduled for completion by June 2020. This process allows claim processors to make and complete accurate decisions using the most recent and relevant information generated from FTI received from the Internal Revenue Service (IRS) and Social Security Administration (SSA).

VBA will continue to update policies and procedures, training materials, and perform quality checks and system enhancements to improve the accuracy of claims decisions.

Link to amended regulation:

<https://www.federalregister.gov/documents/2018/09/18/2018-19895/net-worth-asset-transfers-and-income-exclusions-for-needs-based-benefits>

Status:

Closed (Post-9/11 GI Bill)      Target Completion Date: N/A

In process (Pension program)      Target Completion Date: June 2020

Recommendation 4. The OIG recommended the Under Secretary for Health implement procedures to ensure thorough testing of sample items used to estimate improper payments for Supplies and Materials purchases under indefinite-delivery contracts.

Status: Closed Target Completion Date: N/A

Recommendation 5. The OIG recommended the Under Secretary for Benefits continue working with the Department of Defense to increase the frequency of drill pay adjustments from annually to monthly.

VBA Comments: Concur

VBA Status Update as of May 2019:

VBA has drafted a proposed regulation change that would reduce the financial impact associated with receipt of VA disability compensation and active service pay. The proposal would allow VA to make necessary adjustments as close in time to the receipt of active service pay as possible. The proposed Active Service rule was published in the Federal Register on April 19, 2019 (84FR16421). The public comment period expires June 18, 2019.

Status: In process Target Completion Date: December 2020

Recommendation 6. The OIG recommended the Under Secretary for Benefits continue to report statutory barriers preventing the complete resolution of drill pay improper payments in future Agency Financial Reports until resolved.

VBA Comments: Concur

VBA Status Update as of May 2019:

VBA included the information on the due process requirement being the greatest barrier to timely resolving drill pay improper payments in the 2018 Agency Financial Report (AFR) released in November 2018, on page 264, in Section III, Other Information, under the Barriers topic.

Since this is now a regular and recurring report in the VA AFR, VBA requests that this recommendation be closed.

Status: Completed Target Completion Date: N/A

*For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.*

## OIG Contact and Staff Acknowledgments

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<b>Contact</b>	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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